

THABA CHWEU

LOCAL

MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS



30th JUNE 2010

Annual Financial Statements

for

THABA CHWEU LOCAL MUNICIPALITY

for the year ended 30 June: **2010**

Province: **Mpumalanga**

AFS rounding: **R (i.e. only cents)**

Contact Information:

Name of Municipal Administrator:	Mr Terrence Mokale
Name of Acting Chief Financial Officer:	Mr Gerhard Landman
Contact telephone number:	082 460 5825 / 013 235 7071
Contact e-mail address:	gerald@thabachweu.org.za
Name of contact at provincial treasury:	Unathi Ndobeni
Contact telephone number:	012 315 5103
Contact e-mail address:	unathi.Ndobeni@treasury.gov.za
Name of relevant Auditor:	Auditor General
Contact telephone number:	Tel. : 013 7560800 / Fax: 012 426 8012, Tel: 012 426 8000
Contact e-mail address:	nadiab@agsa.co.za
Name of contact at National Treasury:	Unathi Ndobeni
Contact telephone number:	unathi.ndobeni@treasury.gov.za
Contact e-mail address:	012 315 5103

THABA CHWEU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General Information

Members of the Council

Clara Ndlovu	Mayor (Resigned)
S J Segoane	Member
C E Mokoena	Member
P Mahlangu	Member
L N Manzini	Member
M Mahlangu	Member
L J Matsane	Member
J Aucamp	Member
B F Mohlala	Member
C M Mokoni	Member
P P Chima	Member
S A Banda	Member
C I Dickson	Member
P M Mpholoane	Member
N S Sambo	Member
E N Mashego	Member
S Mashigo	Member
M Mkhabela	Member
P J de Wit	Member
H S Boshoff	Member
J A Maolele	Member
F J C Rousseau	Member

Administrator

Terence Mokale

Acting Chief Financial Officer

Gerhard Landman

Grading of Local Authority

Category 4 b

Auditors

Auditor-General

Bankers

ABSA

THABA CHWEU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

General Information (continued)

Registered Office: Thaba Chweu Local Municipality

Physical address:
Cnr Central and Viljoen Street
Municipal Building
Lydenburg
1120

Postal address:
P.O. Box 61
Lydenburg
1120

Telephone number: 013 235 7000

Fax number: 013 235 1108

Web address: www.thabachweu.org.za

THABA CHWEU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 34, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



Administrator

DATE 31 July 2010

THABA CHWEU LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2010

Index	Page
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Accounting Policies	9-14
Notes to the Annual Financial Statements	15-26
Appendix A: Schedule of External Loans	27
Appendix B: Analysis of Property, Plant and Equipment	28-31
Appendix C: Segmental Analysis of Property, Plant and Equipment	32
Appendix D: Segmental Statement of Financial Performance	33
Appendix E: Statement of Financial Performance Actual vs Budget	34

THABA CHWEU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
as at 30 June 2010

	Note	2010 R	2009 R
ASSETS			
Current assets			
Cash and cash equivalents	1	(31 567 808)	(35 723 823)
Trade and other receivables from exchange transactions	2	60 383 784	29 869 459
Other receivables from non-exchange transactions	3	4 015 013	18 717 568
Inventories	4	1 850 941	2 806 173
Investments	5	723 308	723 308
VAT receivable	12	4 557 012	-
Non-current assets			
Investments	5	6 684 766	6 028 159
Property, plant and equipment	6	110 810 961	82 892 725
Total assets		157 457 978	105 313 570
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	9	44 780 608	9 491 144
Consumer deposits	10	3 163 096	3 013 090
VAT payable	11	-	2 277 609
Current portion of unspent conditional grants and receipts	13	138 620	(23 125 609)
Current portion of borrowings	14	1 458 200	1 146 304
Non-current liabilities			
Non-current borrowings	14	11 875 436	13 626 922
Non-current provisions	15	1 878 148	1 912 172
Total liabilities		63 294 108	8 341 632
Net assets		94 163 870	96 971 937
NET ASSETS			
Reserves		41 106 272	5 251 996
Accumulated surplus / (deficit)		53 057 598	91 719 941
Total net assets		94 163 870	96 971 937

THABA CHWEU LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2010

	Note	2010 R	2009 R
Revenue			
Property rates	16	9 075 940	24 252 831
Service charges	17	82 499 039	79 900 624
Rental of facilities and equipment	18	690 597	677 487
Interest earned - outstanding receivables	19	18 900 362	10 650 944
Fines		1 551 898	915 668
Licences and permits		-	3 533 806
Government grants and subsidies	20	76 896 390	41 233 203
Public contributions and donations		6 606 425	-
Other income	21	3 077 301	11 852 022
Total revenue		199 297 951	173 016 585
Expenses			
Employee related costs	22	64 932 051	53 739 888
Remuneration of councillors	23	3 719 494	4 838 081
Bad debts		-	3 500 000
Repairs and maintenance		5 916 213	6 355 378
Finance costs	24	1 704 929	3 185 550
Bulk purchases	25	61 406 037	45 818 865
Contracted services	26	15 722 278	17 907 178
Grants and subsidies paid	27	34 264 508	-
General expenses	27	26 512 726	40 189 887
Total expenses		214 178 236	175 534 826
Surplus / (deficit) for the period		(14 880 285)	(2 518 242)

THABA CHWEU LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS

as at 30 June 2010

		Statutory Reserve	Government Grants Reserve	Total: Reserves	Accumulated Surplus/(Deficit)	Total: Net Assets
	Note	R	R	R	R	R
Balance at 30 June 2008		5 251 996		5 251 996	22 281 502	27 533 498
Changes in accounting policy						
Correction of prior period error	31					
Restated balance		5 251 996		5 251 996	22 281 502	27 533 498
Surplus / (deficit) on revaluation of property of property, plant and equipment						
Changes in accounting policy						
Net gains and losses not recognised in the statement of financial performance						
Transfers to / from accumulated surplus/(deficit)						
Surplus / (deficit) for the period						
Balance at 30 June 2009		5 251 996		5 251 996	91 719 941	96 971 937
Surplus / (deficit) on revaluation of property of property, plant and equipment						
Changes in accounting policy						
Net gains and losses not recognised in the statement of financial performance						
Transfers to / from accumulated surplus/(deficit)						
Surplus / (deficit) for the period						
Balance at 30 June 2010		(5 251 996)	41 106 272	35 854 276	(35 854 276)	12 072 218
Surplus / (deficit) for the period						
Balance at 30 June 2010		0	41 106 272	41 106 272	53 057 598	94 163 870

THABA CHWEU LOCAL MUNICIPALITY
CASH FLOW STATEMENT
as at 30 June 2010

	Note	2010 R	2009 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		242 426 997	63 285 485
Provision of goods and services		169 762 341	47 410 753
Grants		72 008 049	15 874 732
Interest received		656 607	-
Other receipts			
		225 314 688	22 655 695
Payments			
Employee costs		61 328 703	-
Suppliers		162 281 056	-
Interest paid		1 704 929	3 821 431
Other payments			18 834 263
Net cash flows from operating activities	28	17 112 309	40 629 791
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(14 919 058)	(8 787 342)
Increase in investments		(656 607)	583 552
Net cash flows from investing activities		(15 575 665)	(8 203 790)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(1 439 590)	(1 244 815)
Net cash flows from financing activities		(1 439 590)	(1 244 815)
Net increase / (decrease) in net cash and cash equivalents		97 054	31 181 186
Net cash and cash equivalents at beginning of period (restated)		1 765 637	(29 415 549)
Net cash and cash equivalents at end of period	1	1 862 691	1 765 637
Unreconciled cash book balances		-33 437 189	-37 496 150
Net cash and cash equivalents per general ledger	29	-31 574 498	-35 730 512

THABA CHWEU LOCAL MUNICIPALITY
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2010

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.5

STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

Impact on the municipality's financial statements once implemented:

These statements are in line with the current standards applied by the municipality and have no material impact on the Annual Financial Statements

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

2.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	30 years	Buildings	30 years
Electricity	45 years	Vehicles	5 - 10 years
Water	50 years	Office equipment	5 years
Sewerage	50 years	Furniture and fittings	7 - 10 years
Housing	30 years	Bins and containers	5 years
		Other items of plant and equipment	2 - 7 years
Community		Landfill sites	50 years
Buildings	30 years	Computer equipment	3 years
Recreational Facilities	20 - 30 years		
Security	5 years		
Halls	30 years		
Libraries	30 years		
Parks and gardens	20 - 30 years		
Heritage assets			
Buildings	N/A		
Paintings and artifacts	N/A		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

2.4 DERECOGNITION

Items of Property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

5 INVESTMENTS

Investments are categorised as either held-to-maturity where the criteria for that categorisation are met, or as receivables, and are measured at amortised cost using the effective interest rate. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

6 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

7 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position.

8 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

9 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

10 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

11 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate.

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

13 LEASES

MUNICIPALITY AS LESSEE

Finance leases -

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases –

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance on a straight-line basis over the period of the lease. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

14 REVENUE

14.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

14.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

14.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

15 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

16 RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
1 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents consist of the following:			
Cash on hand		6 690	6 690
Cash at bank		1 856 001	1 758 947
Actual cash and cash equivalents per bank statements		1 862 691	1 765 637
Un-reconciled cash book balances (suspense accounts)		(33 437 189)	(37 496 150)
		<u>(31 574 498)</u>	<u>(35 730 513)</u>
The Municipality has the following bank accounts: -			
<u>Current Account (Primary Bank Account)</u>			
ABSA Lydenburg Account number 101 0000 218			
Cash book balance at beginning of year		(33 296 956)	(32 971 580)
Cash book balance at end of year		(22 862 392)	(33 296 956)
Bank statement balance at beginning of year		1 292 663	2 353 796
Bank statement balance at end of year		1 754 197	1 292 663
<u>Current Account (Other Account)</u>			
ABSA Sabie Account number 40 5826 4705			
Cash book balance at beginning of year		(2 433 557)	452 274
Cash book balance at end of year		(8 712 106)	(2 433 557)
Bank statement balance at beginning of year		466 284	6 112 893
Bank statement balance at end of year		101 804	466 284
<u>Cash on hand</u>		6 690	6 690
Total cash and cash equivalents		(31 567 808)	(35 723 823)
Total bank overdraft		-	-

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables			
as at 30 June 2010			
Service debtors			
Rates		40 650 728	26 874 980
Electricity		9 348 834	3 408 047
Water		29 037 641	16 851 913
Sewerage		15 040 713	7 771 845
Refuse		10 777 662	5 476 999
Total		104 855 577	60 383 784
as at 30 June 2009			
Service debtors			
Rates		22 724 478	8 948 730
Electricity		9 989 699	4 048 912
Water		20 490 847	8 305 119
Sewerage		12 222 926	4 954 059
Refuse		8 913 302	3 612 639
Total		74 341 252	29 869 459
Other receivables			
Rates: Ageing			
Current (0 – 30 days)		2 837 014	1 585 941
31 - 60 Days		1 283 789	717 661
61 - 90 Days		4 004 867	2 238 792
91 - 120 Days		2 181 801	1 219 665
+ 365 Days		30 343 257	16 962 419
Total		40 650 728	22 724 478
Electricity, Water and Sewerage: Ageing			
Current (0 – 30 days)		4 480 856	3 602 334
31 - 60 Days		2 027 651	1 630 107
61 - 90 Days		6 325 394	5 085 230
91 - 120 Days		3 445 994	2 770 369
+ 365 Days		47 924 953	38 528 733
Total		64 204 849	51 616 774
Summary of Debtors by Customer Classification			
	Consumers	Industrial / Commercial	National and Provincial Government
	R	R	R
as at 30 June 2010			
Current (0 – 30 days)	6 601 524	3 213 434	-
31 - 60 Days	2 987 283	2 937 352	-
61 - 90 Days	9 319 032	1 023 249	-
91 - 120 Days	5 076 890	3 090 275	-
+ 365 Days	70 606 537	-	-
Sub-total	94 591 267	10 264 310	-
Less: Provision for doubtful debts	(44 471 793)	-	-
Total debtors by customer classification	50 119 474	10 264 310	-
as at 30 June 2009			
Current (0 – 30 days)	4 680 395	2 278 283	-
31 - 60 Days	2 117 945	2 082 545	-
61 - 90 Days	6 607 074	725 471	-
91 - 120 Days	3 599 450	2 190 965	-
+ 365 Days	50 059 124	-	-
Sub-total	67 063 988	7 277 264	-
Less: Provision for doubtful debts	(44 471 793)	-	-
Total debtors by customer classification	22 592 195	7 277 264	-

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
<u>Reconciliation of the doubtful debt provision</u>			
Balance at beginning of the year		44 471 793	44 471 793
Contributions to provision		-	-
Doubtful debts written off against provision		-	-
Reversal of provision		-	-
Balance at end of year		44 471 793	44 471 793
<u>Trade and other receivables past due but not impaired</u>			
Trade and other receivables which are less than 12 months past due are not considered to be impaired. At 30 June 2010, R24 620 010 were past due but not impaired.			
The ageing of amounts past due but not impaired is as follows:			
Less than 12 months past due		24 620 010	-
<u>Trade and other receivables impaired</u>			
As of 30 June 2010, trade and other receivables of R 79 673 888 were impaired and provided for.			
The amount of the provision was R44 471 793 as of 30 June 2010 (30 June 2009: R44 471 793)			
The ageing of these receivables is as follows:			
Over 12 months		79 673 888	-
The fair value of trade and other receivables approximates their carrying amounts.			
3 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS			
Unauthorized expenditure		-	-
Other debtors		4 015 013	18 717 568
Total Other Debtors		4 015 013	18 717 568
4 INVENTORIES			
Opening balance of inventories:		2 806 173	2 283 079
Consumable stores - at cost		2 806 173	2 283 079
Additions:		4 558 562	9 615 774
Consumable stores		4 558 562	9 615 774
Issued (expensed):		(5 513 794)	(6 622 865)
Consumable stores		(5 513 794)	(6 622 865)
Write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC):		-	(2 469 814)
Consumable stores		-	(2 469 814)
Closing balance of inventories:		1 850 941	2 806 173
Consumable stores		1 850 941	2 806 173
No inventories were pledged as security			
5 INVESTMENTS			
Deposits		-	-
Call investments		723 308	723 308
		723 308	723 308
Fixed Deposits		-	-
Listed Investments		783 278	783 278
Other Investments		5 901 489	5 244 881
		6 684 766	6 028 159

Included in investments is an amount of R5 901 489 (2009: R5 244 881) that represents an initial deposit of R845 000 which was invested with the Public Investment Commissioners in 1993 as a loan redemption fund and stand as security for the repayment of the local stock loan No. E30, R8 910 000, which will mature in 2014.

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

6 PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land	Buildings	Infrastructure	Community	Heritage	Other Assets	Finance lease assets	Total
	R	R	R	R	R	R	R	R
as at 1 July 2009	209 634	13 443 784	54 908 822	70 939	-	14 259 547	-	82 892 725
Cost/Revaluation	349 389	21 581 501	84 992 897	272 091	-	30 659 563	-	137 855 441
Correction of error								-
Change in accounting policy								-
Accumulated depreciation and impairment losses	(139 756)	(8 137 717)	(30 084 075)	(201 152)	-	(16 400 016)	-	(54 962 716)
Acquisitions	-	302 420	32 708 809	-	-	42 165	-	33 053 394
Capital under Construction	-	-	-	-	-	-	-	-
Depreciation	-	(770 845)	(2 622 748)	(25 248)	-	(1 576 562)	-	(4 995 402)
Carrying value of disposals	-	-	-	-	-	-	-	-
Cost/Revaluation	-	-	-	-	-	-	-	-
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-
Other movements*	-	-	-	-	-	-	-	-
as at 30 June 2010	69 878	12 975 360	84 994 882	45 691	-	12 725 150	-	110 810 961
Cost/Revaluation	349 389	21 883 921	117 701 705	272 091	-	30 701 727	-	170 908 835
Accumulated depreciation and impairment losses	(279 512)	(8 908 561)	(32 706 823)	(226 400)	-	(17 976 578)	-	(60 097 874)

Refer to Appendix B for more detail on property, plant and equipment

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2009

Reconciliation of Carrying Value	Land R	Buildings		Infrastructure		Community		Heritage		Other Assets		Finance lease assets		Total	
		R	R	R	R	R	R	R	R	R	R	R	R	R	R
as at 1 July 2008	-	14 253 114	56 354 528	272 091	-	14 250 573	-	85 130 307							
Cost/Revaluation	-	14 253 114	56 354 528	272 091	-	14 250 573	-	85 130 307							
Correction of error	-	-	-	-	-	-	-	-							
Change in accounting policy	-	-	-	-	-	-	-	-							
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-							
Acquisitions	349 389	7 328 387	28 638 368	-	-	16 408 990	-	52 725 134							
Capital under Construction	-	-	-	-	-	-	-	-							
Depreciation	(139 756)	(8 137 717)	(30 084 075)	(201 152)	-	(16 400 016)	-	(54 962 716)							
Carrying value of disposals	-	-	-	-	-	-	-	-							
Cost/Revaluation	-	-	-	-	-	-	-	-							
Accumulated depreciation and impairment losses	-	-	-	-	-	-	-	-							
Impairment loss/Reversal of impairment loss	-	-	-	-	-	-	-	-							
Transfers	-	-	-	-	-	-	-	-							
*Other movements	-	-	-	-	-	-	-	-							
as at 30 June 2009	209 634	13 443 784	54 908 822	70 939	-	14 259 547	-	82 892 725							
Cost/Revaluation	349 389	21 581 501	84 992 897	272 091	-	30 659 563	-	137 855 441							
Accumulated depreciation and impairment losses	(139 756)	(8 137 717)	(30 084 075)	(201 152)	-	(16 400 016)	-	(54 962 716)							

Refer to Appendix B for more detail on property, plant and equipment

7 Property, plant and equipment pledged as security

No fixed assets were pledged as security for any loan

8 Details of valuation

No asset revaluations were done during the year. All assets are shown at cost.

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
9 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		44 780 608	9 491 144
Other creditors		-	-
Total creditors		44 780 608	9 491 144
The fair value of trade and other payables approximates their carrying amounts.			
10 CONSUMER DEPOSITS			
Electricity and Water		3 163 096	3 013 090
Accrued interest		-	-
Total consumer deposits		3 163 096	3 013 090
There is no accrual of interest payable to consumers when deposits are refunded.			
11 VAT PAYABLE			
VAT payable		-	2 277 609
VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.			
12 VAT RECEIVABLE			
VAT receivable		4 557 012	-
VAT is receivable on the payment basis. VAT is claimable from SARS only once payment is made to suppliers.			
13 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
13.1 Unspent Conditional Grants from other spheres of Government			
Municipal system improvement grant		138 620	-
13.2 Other Unspent Conditional Grants and Receipts			
Other		-	(23 125 609)
Total Unspent Conditional Grants and Receipts		138 620	(23 125 609)
Non-current unspent conditional grants and receipts		-	-
Current portion of unspent conditional grants and receipts		138 620	(23 125 609)
14 BORROWINGS			
Local Registered Stock Loans		1 012 091	849 951
Annuity Loans		3 411 545	5 013 275
Other borrowings		8 910 000	8 910 000
		13 333 636	14 773 226
Less : Current portion transferred to current liabilities		(1 458 200)	(1 146 304)
Local Registered Stock Loans		(1 012 091)	(849 951)
Annuity Loans		(448 109)	(296 353)
Total borrowings		11 875 436	13 626 922
Refer to Appendix A for more detail on borrowings.			
15 NON-CURRENT PROVISIONS			
Provision for leave		1 878 148	1 912 172
		1 878 148	1 912 172
16 PROPERTY RATES			
Actual			
Residential		9 075 940	24 252 831
Commercial		-	-
Light Industries		-	-
Heavy Industries		-	-
State		-	-
Total property rates		9 075 940	24 252 831
Property rates - penalties imposed and collection charges		-	-
Total		9 075 940	24 252 831
Valuations			
Residential		-	-
Commercial		-	-
State		-	-
Municipal		-	-
Total Property Valuations		-	-

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2010. Interim valuations are processed on a monthly basis to take into account changes in individual property values due to alterations.

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
17 SERVICE CHARGES			
Sale of electricity		48 155 626	47 622 783
Sale of water		17 888 887	16 064 530
Refuse removal		7 682 430	7 559 136
Sewerage and sanitation charges		8 672 098	8 654 175
Total Service Charges		<u>82 499 039</u>	<u>79 900 624</u>
18 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		690 597	677 487
Total rentals		<u>690 597</u>	<u>677 487</u>
19 INTEREST EARNED - OUTSTANDING RECEIVABLES			
Total consumer and business debtors		18 900 362	10 650 944
Total interest		<u>18 900 362</u>	<u>10 650 944</u>
20 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		43 768 279	36 907 567
MIG Grant		31 783 731	3 254 388
Other Government Grants and Subsidies		1 348 380	1 071 250
Total Government Grant and Subsidies		<u>76 896 390</u>	<u>41 233 203</u>
20.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.			
20.2 MIG Grant			
Balance unspent at beginning of year		-	-
Current year receipts		19 122 000	33 412 455
Conditions met - transferred to revenue		(19 122 000)	(33 412 455)
Conditions still to be met - remain liabilities		<u>-</u>	<u>-</u>
<i>MIG grants in statement of financial performance include grants in prior years not previously transferred to revenue when all conditions were met</i>			
20.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		-	-
Current year receipts		1 485 000	1 071 250
Conditions met - transferred to revenue		(1 348 380)	(1 071 250)
Conditions still to be met - remain liabilities		<u>136 620</u>	<u>-</u>
21 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
Other income			
Public contributions - Unconditional		3 077 301	11 852 022
Total Other Income		<u>3 077 301</u>	<u>11 852 022</u>

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
22 EMPLOYEE RELATED COSTS			
Employee related costs - Salaries and Wages		37 570 808	30 387 849
Employee related costs - Contributions for UIF, pensions and medical aids		10 891 273	9 374 228
Travel, motor car, accommodation, subsistence and other allowances		2 998 651	2 442 207
Overtime payments		4 558 224	4 131 658
Performance and other bonuses		3 025 713	2 843 970
Long-service awards		-	213 839
Other employee related costs		2 731 355	2 183 877
Total Employee Related Costs		61 777 024	60 577 622
There were no advances to employees			
Remuneration of the Municipal Manager			
Annual Remuneration		422 825	415 848
Performance- and other bonuses		-	89 320
Travel, motor car, accommodation, subsistence and other allowances		298 514	144 895
Contributions to UIF, Medical and Pension Funds		23 848	24 528
Total		745 187	674 591
Remuneration of the Chief Finance Officer			
Annual Remuneration		415 780	430 000
Performance- and other bonuses		-	88 840
Travel, motor car, accommodation, subsistence and other allowances		256 838	181 798
Contributions to UIF, Medical and Pension Funds		-	-
Total		672 598	680 438
Remuneration of Individual Executive Directors			
	Technical Services R	Corporate Services R	Community Services R
2010			
Annual Remuneration	419 000	281 000	372 000
Performance- and other bonuses	60 312	60 312	-
Travel, motor car, accommodation, subsistence and other allowances	174 139	222 003	139 800
Contributions to UIF, Medical and Pension Funds	13 500	15 176	-
Total	666 951	558 491	511 800
	Technical Services R	Corporate Services R	Community Services R
2009			
Annual Remuneration	373 889	332 000	348 000
Performance- and other bonuses	73 920	73 920	68 640
Travel, motor car, accommodation, subsistence and other allowances	185 838	187 644	137 130
Contributions to UIF, Medical and Pension Funds	21 732	24 528	-
Total	655 377	618 092	553 770
23 REMUNERATION OF COUNCILLORS			
Executive Mayor	-	-	550 704
Speaker	-	-	364 601
Executive Committee Members	-	-	810 014
Councillors	2 255 317	-	1 890 307
Councillors' pension and medical aid contributions	383 614	-	306 088
Councillors' allowances	1 080 563	-	916 387
Total Councillors' Remuneration	3 719 494	-	4 838 081
In-kind Benefits			
The Councillors are now all part-time.			
The Executive Mayor had the use of the Council owned vehicle for official duties for part of the year. The Executive Mayor had 2 full-time bodyguards.			
24 FINANCE COSTS			
Borrowings		1 704 929	3 185 550
Total Finance Costs		1 704 929	3 185 550
25 BULK PURCHASES			
Electricity		81 406 037	45 818 865
Water		-	-
Total Bulk Purchases		81 406 037	45 818 865
26 CONTRACTED SERVICES			
Contracted services for:			
Information Technology Services		2 308 388	- 4 988 967
Specialised Services		3 746 806	1 838 899
Other Contractors		9 667 084	11 079 312
		15 722 278	17 907 178

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
27 GENERAL EXPENSES			
Included in general expenses are the following:-			
Audit fees		1 442 079	897 329
Entertainment		70 773	288 046
Insurance		324 909	1 771 240
Legal expenses		2 422 601	517 838
Printing and stationery		510 375	1 336 412
Other rentals		1 363 190	3 256 762
Security costs		1 270 363	753 638
Skills development levies		402 491	-
Telephone cost		649 286	864 984
Training		324 746	358 192
Travel and subsistence		912 449	1 167 024
Valuation costs		128 517	1 317 928
Other		16 690 927	27 626 494
		<u>28 512 726</u>	<u>40 189 887</u>
Grants paid		<u>34 264 508</u>	<u>-</u>
28 CASH GENERATED BY OPERATIONS			
Surplus/(deficit) for the year		(14 880 285)	(2 518 242)
Adjustment for:-			
Finance costs		1 704 929	3 185 550
Operating surplus before working capital changes:		(13 175 356)	667 308
(Increase)/decrease in inventories		955 232	(523 094)
(Increase)/decrease in trade receivables		(30 514 325)	(22 327 337)
(Increase)/decrease in other receivables		14 702 555	-
(Increase)/decrease in VAT receivable		(6 834 821)	-
Increase/(decrease) in conditional grants and receipts		23 264 229	40 161 953
Increase/(decrease) in trade payables		35 289 462	1 944 977
Increase/(decrease) in consumer deposits		150 006	399 567
Increase/(decrease) in VAT payable		-	1 671 623
Cash generated by/(utilised in) operations		<u>23 837 182</u>	<u>21 994 997</u>
29 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		(31 567 808)	(35 723 823)
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		<u>(31 567 808)</u>	<u>(35 723 823)</u>
30 UTILISATION OF LONG-TERM LIABILITIES RECONCILIATION			
Long-term liabilities		13 333 636	14 773 226
Used to finance property, plant and equipment – at cost		13 333 636	14 773 226
Sub- total		-	-
Cash set aside for the repayment of long-term liabilities		-	-
Cash invested for repayment of long-term liabilities		-	-
Long-term liabilities have been utilised in accordance with the Municipal Finance Management Act. No cash is specifically reserved to repay the loans			
31 CHANGE IN ACCOUNTING POLICY			
The following adjustments were made to amounts previously reported in the annual financial statements of the municipality arising from the implementation of new accounting policies and changes to existing policies:			
31.1 Statutory Funds			
Balance previously reported:-			
Capital Redemption Reserve		5 251 996	5 251 996
Loans redeemed and other capital receipts		-	119 542 553
Total		<u>5 251 996</u>	<u>124 794 549</u>
Implementation of GRAP			
Transferred to Accumulated Surplus/(Deficit) (see 31.4 below)		(5 251 996)	(119 542 553)
31.2 Property, plant and equipment			
Balance previously reported		170 908 835	137 855 441
Implementation of GRAP		170 908 835	137 855 441
Total		<u>170 908 835</u>	<u>137 855 441</u>
31.3 Accumulated Depreciation			
Balance previously reported -			-
Implementation of GRAP			
Backlog depreciation: Land and buildings			6 377 938
Backlog depreciation: Infrastructure			33 502 310
Backlog depreciation: Community			1 637 323
Backlog depreciation: Other			18 580 299
Total (debited to Accumulated Surplus/(Deficit)) (see 31.4 below)		<u>-</u>	<u>60 097 870</u>
31.4 Accumulated Surplus/(Deficit)			
Implementation of GRAP			
Transferred from statutory funds (see 31.1 above)		5 251 996	119 542 553
Fair value of Property, Plant and Equipment previously not recorded		-	1 489 632
Transferred to Government Grant Reserve		(41 106 272)	-
Backlog depreciation (see 31.3 above)		-	(54 962 716)
Total		<u>(35 854 276)</u>	<u>66 069 469</u>

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT			
32.1 Audit fees			
Opening balance		-	-
Current year audit fee		2 271 483	-
Amount paid - current year		1 442 079	-
Amount paid - previous years			
Balance unpaid (Included in payables)		<u>829 404</u>	<u>-</u>
The balance unpaid represents the audit fee for an interim audit conducted during the 2010 financial year.			
32.2 VAT			
VAT input receivables and VAT output payables are shown in note 11 and 12. VAT returns have been submitted throughout the year.			
32.3 PAYE and UIF			
Opening balance		-	-
Current year payroll deductions		7 672 399	-
Amount paid - current year		8 397 380	-
Amount paid - previous years			
Balance unpaid (Included in payables)		<u>1 275 019</u>	<u>-</u>
The balance represents PAYE and UIF deducted from the 2010 payroll.			
32.4 Pension and Medical Aid Deductions			
Opening balance		-	-
Current year payroll deductions and Council Contributions		17 913 402	-
Amount paid - current year		16 995 088	-
Amount paid - previous years			
Balance unpaid (Included in payables)		<u>918 314</u>	<u>-</u>
The balance represents pension and medical aid contributions deducted from employees in the 2010 payroll as well as Council's contributions to pension and medical aid funds.			
32.5 Councillor's arrear consumer accounts			
The following Councillors had arrear accounts outstanding for more than 90 days as at -			
	Total R	Outstanding less than 90 days R	Outstanding more than 90 days R
as at 30 June 2010			
S J Segokane	3 166	-	3 166
P Mahlangu	1 796	-	1 796
J Aucamp	7 658	-	7 658
P P Chima	17 948	-	17 948
S A Banda	3 700	-	3 700
N S Sambo	232	-	232
E N Mashogo	582	-	582
M Mkhabela	3 320	-	3 320
P J de Vries	36 778	-	36 778
H S Boshoff	800	-	800
F J C Rousseau	2 754	-	2 754
Total Councillor Arrear Consumer Accounts	<u>78 732</u>	<u>-</u>	<u>78 732</u>

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

Note	2010 R	2009 R
33 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
- Approved and contracted for	17 800 000	1 552 620
Infrastructure	17 800 000	1 552 620
Community	-	-
Heritage	-	-
Other	-	-
- Approved but not yet contracted for	3 282 400	16 878 994
Infrastructure	3 282 400	16 878 994
Community	-	-
Heritage	-	-
Other	-	-
Total	21 082 400	18 431 614
This expenditure will be financed from:		
- External Loans	21 082 400	18 431 614
- Government Grants	-	-
- Own resources	-	-
- District Council Grants	21 082 400	18 431 614
34 CONTINGENT LIABILITY		
The Municipality is being sued by SALA for pension funds. The matter is before the courts and no court dates have been set. It is the opinion of management that the possibility of the litigation being successful is remote. Therefore no contingent liability is raised	-	829 577
35 EVENTS AFTER THE REPORTING DATE		
1. Thaba Chweu Local Municipality was placed under administration in terms of section 137 of the MFMA in October 2009.		
2. The following Municipal Officials resigned subsequent to year end: The Executive Mayor - Cnr C Ndlovu The Municipal Manager - I Moshoadiba The Chief Financial Officer - P Mpele Senior Manager-ID&T - MN Seanego PMU Manager - J Laubscher Town Planner - T Botha		
36 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS		
The following areas involve a significant degree of estimation uncertainty:		
(a) Useful lives and residual values of property, plant, and equipment		
(b) Recoverable amounts of property, plant and equipment		
(c) Provision for rehabilitation of landfill sites - no provision made		
(d) Present value of defined benefit obligation - no values requested from central administration at year end		
(e) Provision for doubtful debts		
(f) Impairment of assets		
37 RISK MANAGEMENT		
37.1 Maximum credit risk exposure		
Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing.		
Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis.		
Financial assets exposed to credit risk at year end were as follows:		
Trade and other receivables	79 673 888	
These balances represent the maximum exposure to credit risk.		

THABA CHWEU LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2010

	Note	2010 R	2009 R
37.2 Liquidity risk			
<p>The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are done and adequate utilised borrowing facilities are monitored.</p> <p>The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.</p>			
		Not later than one month	Later than one month and not later than three months
Borrowings		-	-
Trade and other payables		3 078 181	41 702 427
		Later than three months and not later than one year	Later than one year and not later than five years
Borrowings		1 458 200	11 875 438
Trade and other payables		-	-

37.3 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

38 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexure E

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX A

SCHEDULE OF EXTERNAL LOANS

as at 30 June 2010

EXTERNAL LOANS	Loan number	Redeemable Date	Balance at 30 June 2009	Received during the period	Redeemed / written off during the period	Balance at 30 June 2010	Carrying Value of Property, Plant & Equipment	Other Costs in accordance with MFMA
			R	R	R	R	R	R
LONG-TERM LOANS								
Local registered stock	E30	2 014	8 910 000	-	-	8 910 000	No specific assets	
Total long-term loans			8 910 000	-	-	8 910 000		
ANNUITY LOAN								
Annuity loans (INCA)		2013	2 198 726	-	(389 650)	1 809 076	No specific assets	
Annuity loans L (DBSA)		2012	3 664 500	-	(1 049 940)	2 614 560	No specific assets	
TOTAL EXTERNAL LOANS			14 773 226	-	(1 439 590)	13 333 636		

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land												
Landfill Sites	349 389	-	-	-	349 389	(139 756)	(139 756)	-	-	(279 512)	-	69 878
	349 389	-	-	-	349 389	(139 756)	(139 756)	-	-	(279 512)	-	69 878
Buildings												
	21 581 501	302 420	-	-	21 883 921	(8 137 717)	(770 845)	-	-	(8 908 561)	-	12 975 360
Infrastructure												
Roads	27 032 203	19 056 733	-	-	46 088 936	(6 119 041)	(871 084)	-	-	(6 990 125)	-	39 098 811
Sewerage Mains & Purification	22 299 209	-	-	-	22 299 209	(8 928 829)	(484 653)	-	-	(9 413 482)	-	12 885 726
Electricity Mains	15 873 343	8 349 980	-	-	24 223 322	(7 165 445)	(728 754)	-	-	(7 894 199)	-	16 329 123
Water Mains & Purification	19 788 142	5 302 096	-	-	25 090 239	(7 870 760)	(538 257)	-	-	(8 409 017)	-	16 681 222
	84 992 897	32 708 809	-	-	117 701 705	(30 084 075)	(2 622 748)	-	-	(32 708 823)	-	84 994 882
Community Assets												
Recreation Grounds	272 091	-	-	-	272 091	(201 152)	(25 248)	-	-	(226 400)	-	45 691
	272 091	-	-	-	272 091	(201 152)	(25 248)	-	-	(226 400)	-	45 691
Heritage Assets												
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	107 195 878	33 011 229	-	-	140 207 107	(38 562 700)	(3 558 596)	-	-	(42 121 296)	-	98 085 811

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation					Transfers	Other movements	Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance		
	R	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	107 195 878	33 011 229	-	-	140 207 107	(38 562 700)	(3 558 596)	-	-	(42 121 296)	-	98 085 811
Other Assets												
Office Equipment	220 664	-	-	-	220 664	(220 079)	(99)	-	-	(220 178)	-	486
Furniture & Fittings	349 339	35 970	-	-	385 309	(286 686)	(16 482)	-	-	(303 168)	-	82 141
Bins and Containers	900 445	-	-	-	900 445	(362 564)	(55 423)	-	-	(417 986)	-	482 458
Motor vehicles	3 963 049	-	-	-	3 963 049	(2 730 712)	(235 653)	-	-	(2 966 365)	-	996 684
Computer Equipment	1 203 808	6 195	-	-	1 210 003	(1 103 922)	(39 130)	-	-	(1 143 052)	-	66 950
Other Assets	24 022 258	-	-	-	24 022 258	(11 696 053)	(1 229 775)	-	-	(12 925 828)	-	11 096 431
	30 659 563	42 165	-	-	30 701 727	(16 400 016)	(1 576 562)	-	-	(17 976 578)	-	12 725 150
Finance Lease Assets												
	-	-	-	-	-	-	-	-	-	-	-	-
Total	137 855 441	33 053 394	-	-	170 908 835	(54 962 716)	(5 135 158)	-	-	(60 097 874)	-	110 810 961

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2009

as at 30 June 2009												
	Cost / Revaluation				Accumulated Depreciation							Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of Impairment loss	Closing Balance	Transfers	
	R	R	R	R	R	R	R	R	R	R	R	R
Land												
Land	-	349 389	-	-	349 389	-	(139 756)	-	-	(139 756)	-	-
Landfill Sites	-	349 389	-	-	349 389	-	(139 756)	-	-	(139 756)	-	-
Buildings	14 253 114	7 328 387	-	-	21 581 501	-	(8 137 717)	-	-	(8 137 717)	-	-
Infrastructure												
Roads	9 658 299	17 373 904	-	-	27 032 203	-	(6 119 041)	-	-	(6 119 041)	-	-
Sewerage Mains & Purification	21 481 044	818 164	-	-	22 299 209	-	(8 928 829)	-	-	(8 928 829)	-	-
Electricity Mains	11 437 317	4 436 026	-	-	15 873 343	-	(7 165 445)	-	-	(7 165 445)	-	-
Water Mains & Purification	13 777 868	6 010 274	-	-	19 788 142	-	(7 870 760)	-	-	(7 870 760)	-	-
Community Assets	56 354 528	28 638 368	-	-	84 992 897	-	(30 084 075)	-	-	(30 084 075)	-	-
Recreation Grounds	272 091	-	-	-	272 091	-	(201 152)	-	-	(201 152)	-	-
Heritage Assets	272 091	-	-	-	272 091	-	(201 152)	-	-	(201 152)	-	-
Historical Buildings	-	-	-	-	-	-	-	-	-	-	-	-
Paintings & Artifacts	-	-	-	-	-	-	-	-	-	-	-	-
Total carried forward	70 879 734	36 316 145	-	-	107 195 878	-	(38 562 700)	-	-	(38 562 700)	-	-

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX B

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

as at 30 June 2009

	Cost / Revaluation					Accumulated Depreciation					Carrying Value
	Opening Balance	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	
	R	R	R	R	R	R	R	R	R	R	R
Total brought forward	70 879 734	36 316 145	-	-	107 195 878	-	(38 562 700)	-	-	(38 562 700)	68 633 179
Other Assets											
Office Equipment	219 971	693	-	-	220 664	-	(220 079)	-	-	(220 079)	585
Furniture & Fittings	270 959	78 381	-	-	349 339	-	(286 686)	-	-	(286 686)	62 653
Bins and Containers	401 860	498 585	-	-	900 445	-	(362 564)	-	-	(362 564)	537 881
Motor vehicles	2 076 916	1 886 133	-	-	3 963 049	-	(2 730 712)	-	-	(2 730 712)	1 232 337
Computer Equipment	1 082 990	120 818	-	-	1 203 808	-	(1 103 922)	-	-	(1 103 922)	99 885
Other Assets	10 197 877	13 824 381	-	-	24 022 258	-	(11 696 053)	-	-	(11 696 053)	12 326 205
	14 250 573	16 408 990	-	-	30 659 563	-	(16 400 016)	-	-	(16 400 016)	14 259 547
Finance Lease Assets											
	-	-	-	-	-	-	-	-	-	-	-
Total	85 130 307	52 725 134	-	-	137 855 441	-	(54 962 716)	-	-	(54 962 716)	82 892 725

THABA CHWEU LOCAL MUNICIPALITY

APPENDIX C

SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT

as at 30 June 2010

	Cost / Revaluation				Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	
	R	R	R	R	R	R	R	R	R
Executive & Council	16 867 712	-	-	-	16 867 712	13 090 174	415 331	-	3 362 207
Finance & Admin	10 068 208	42 165	-	-	10 110 372	5 363 126	658 932	-	4 088 315
Planning & Development	302 758	-	-	-	302 758	203 903	8 949	-	89 906
Health	670 920	-	-	-	670 920	457 960	16 004	-	196 956
Community & Social Services	4 279 666	-	-	-	4 279 666	1 597 877	309 435	-	2 372 355
Public Safety	1 537 574	-	-	-	1 537 574	337 825	131 433	-	1 068 315
Sport & Recreation	398 430	-	-	-	398 430	245 053	41 812	-	111 565
Environmental Protection	-	-	-	-	-	-	-	-	-
Waste Management	24 373 285	-	-	-	24 373 285	10 307 826	689 127	-	13 376 332
Road Transport	32 907 200	19 359 153	-	-	52 266 353	6 894 047	1 018 185	-	44 354 121
Water	19 834 734	5 302 096	-	-	25 136 831	7 917 352	538 257	-	16 681 222
Electricity	17 516 605	8 349 980	-	-	25 866 584	7 700 170	866 244	-	17 300 170
Other	9 098 350	-	-	-	9 098 350	847 404	441 450	-	7 809 497
Total	137 855 441	33 053 394	-	-	170 908 835	54 962 716	5 135 158	-	110 810 961

THABA CHWEU LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2010

2009				2010		
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
(40 172 462)	24 360 576	(15 811 886)	Executive & Council	(48 357 911)	21 213 925	(27 143 986)
(46 662 302)	38 517 368	(8 144 934)	Finance & Admin	(49 016 452)	61 536 651	12 520 199
(789 149)	2 009 729	1 220 580	Planning & Development	(6 612 610)	2 130 277	(4 482 332)
-	913 878	913 878	Health	-	617 425	617 425
(163 067)	2 786 702	2 623 635	Community & Social Services	(124 713)	3 009 787	2 885 073
(882 520)	6 898 861	6 016 341	Public Safety	(1 501 421)	10 049 080	8 547 659
(337 696)	5 733 982	5 396 286	Sport & Recreation	(453 369)	12 900 456	12 447 088
(3 652)	244 006	240 354	Environmental Protection	-	361 435	361 435
(16 216 003)	13 101 947	(3 114 056)	Waste Management	(16 401 914)	10 630 513	(5 771 401)
(3 533 806)	7 377 248	3 843 442	Road Transport	(1 190 175)	7 283 085	6 092 910
(16 150 906)	6 609 133	(9 541 773)	Water	(18 076 474)	6 930 242	(11 146 232)
(47 660 802)	53 809 732	6 148 930	Electricity	(57 284 338)	68 424 168	11 139 830
(514 427)	13 241 871	12 727 444	Other	(278 574)	9 091 192	8 812 618
(173 086 791)	175 605 033	2 518 242		(199 297 951)	214 178 237	14 880 286
			Less: Inter-Department Charges			
(173 086 791)	175 605 033	2 518 242	Total	(199 297 951)	214 178 237	14 880 286

Thaba Chweu Local Municipality

APPENDIX E

STATEMENT OF FINANCIAL PERFORMANCE - ACTUAL vs BUDGET for the year ended 30 June 2010

	2010 Actuals R	2010 Budget		2010 Variance R	% Variance	Explanation of significant variances
		Original R	Revised R			
Revenue						
Property Rates	(9 075 940)	(26 485 171)	(26 485 171)	17 409 231	-65.73	Revenue foregone amounts to R17.1 million. The delay in the finalisation of the valuation roll and the delay in the implementation of the new property rates had an impact on revenue.
Service Charges	(82 499 039)	(83 827 000)	(83 827 000)	1 327 961	-1.58	
Rental of facilities	(690 597)	(1 230 432)	(1 230 432)	539 835	-43.87	Decline in rental revenue from renting of flats, municipal houses and halls
Interest earned - debtors	(18 900 362)	(11 331 000)	(11 331 000)	(7 569 362)	66.80	Revenue arises from interest charged on defaulting debtors. The increase is as the result of an increase in arrears in receivables from exchange transactions.
Interest earned - external	-	(657 000)	(657 000)	657 000	-100.00	No external investments
Fines, licences	(1 551 898)	(1 951 500)	(1 951 500)	399 602	-20.48	This category of revenue mostly relates to the income derived from traffic fines and is under budget due to fines declared invalid (in terms of the Administrative Adjudication of the Road Traffic Ordinance)
Govt Grants & Subsidies	(76 896 390)	(54 431 900)	(54 431 900)	(22 464 490)	41.27	Impact of conditional grants, conditions now met, transferred to revenue
Other	(9 683 726)	(43 461 165)	(42 461 165)	32 777 439	-77.19	Revenue from anticipated sale of municipal land/stands of R15 million not materialising. Planned revenue from motor vehicle licencing of R24,3 million not realised.
Expenditure						
Employee-related costs	63 713 137	71 505 950	71 505 950	7 792 813	10.90	Budget not spent due to cash flow constraints.
Councillor remuneration	4 938 407	5 795 125	5 795 125	856 718	14.78	
Depreciation	-	16 639 000	16 639 000	16 639 000	100.00	GRAP conversion implementation: asset register incomplete
Repairs & maintenance	5 916 213	15 789 600	15 789 600	9 873 387	62.53	Budget not spent due to cash flow constraints.
Finance costs	1 704 929	2 318 000	2 318 000	613 071	26.45	
Bulk purchases	61 406 037	42 500 000	42 500 000	-18 906 037	-44.48	Increase in ESKOM electricity costs
Contractual services	13 678 938	24 810 000	24 810 000	11 131 062	44.87	Budget not spent due to cash flow constraints.
Grants & subsidies paid	34 264 508	-	-	-34 264 508	100.00	GRAP conversion result
General expenses	28 556 067	53 462 710	53 462 710	24 906 643	46.59	Budget not spent due to cash flow constraints.